

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **HB 4274**

January 18, 2008

SPONSOR (S): Molaro

SYSTEM(S): Chicago Teachers' Pension Fund

FISCAL IMPACT: According to an analysis prepared by the Fund's actuary, HB 4274 could increase total actuarial liability by \$129.7 million - \$648.4 million, depending on the increase in pensionable salary (as shown in the chart below).

SUBJECT MATTER: HB 4274 amends the Chicago Teachers' Article of the Pension Code to allow salary received for overtime, summer school, and other optional service to be included in the calculation of salary for pension purposes.

FISCAL IMPACT: According to an analysis prepared by the Fund's actuary, the impact of HB 4274 depends on the effect the bill would have on pensionable salary, as follows:

Increase in Pensionable Salary	Increase in Accrued Liability	Increase in Annual Cost	Total Annual Cost as % of Pay
2.5%	\$129,678,000	\$13,474,000	0.68%
7.5%	\$389,037,000	\$40,422,000	2.05%
12.5%	\$648,398,000	\$67,372,000	3.42%

COMMENTS: Currently, employee contributions are not made to the Chicago Teachers' Pension Fund for overtime, summer school, or other optional service, and this salary is not included in the calculation of the members' final average salary for pension purposes. Effective July 1, 1999, HB 4274 requires members to make contributions on salary received for summer school, etc., and allows this salary to be included in the salary upon which the retirement annuity is based. This would increase the amount of the retirement annuity for members of the Chicago Teachers' Pension Fund who receive compensation for optional service.

HB 4274 specifies that members who retire between July 1, 1999 and the effective date of this Act would receive a lump sum equal to the difference in the amount of pension

actually received and the amount that would have been received if the salary for overtime, summer school, and other optional service had been included in the calculation of final average salary. Active teachers would be required to make contributions for the optional service credit, but HB 4274 does not specify a mechanism for collecting contributions from retirees.

HB 4274 amends the State Mandates Act to require implementation without reimbursement.

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